

HOUSE FINANCE COMMITTEE
April 12, 2011
2:06 p.m.

2:06:50 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 2:06 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Charlie Huggins; Sarah Fisher-Goad, Deputy Director of Operations, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Brian Carey, Engineer, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Representative Lance Pruitt, Co-Chair, House Energy Committee; Mike Hanley, Commissioner, Department of Education and Early Childhood Development; Diane Barrans, Executive Director, Postsecondary Education Commission, Department of Education and Early Development; Shiela Peterson, Staff, Senator Alan Dick.

PRESENT VIA TELECONFERENCE

Lindsay Wolter, Assistant Attorney General, Civil Division,
Environmental Section, Department of Law.

SUMMARY

HB 103 POWER PROJECT; ALASKA ENERGY AUTHORITY

CSHB 103(FIN) was REPORTED out of Committee with a "do pass" recommendation and with two new fiscal impact notes by the Department of Commerce, Community and Economic Development.

HB 104 ALASKA PERFORMANCE SCHOLARSHIPS

CSHB 104(FIN) was REPORTED out of Committee with a "no recommendation" and with two zero notes by the Department of Revenue, one indeterminate note by the Department of Education and Early Development, and previously published fiscal note: FN3 (EED).

HB 183 APPLICATION OF VILLAGE SAFE WATER ACT

CS HB 183 (FIN) was REPORTED out of committee with a "do pass" recommendation and with attached previously published fiscal note: FN 1 (DEC).

SB 102 AK AFFORDABLE HEATING PROGRAM PAYMENTS

SB 102 was SCHEDULED but not HEARD.

#hb103

HOUSE BILL NO. 103

"An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Energy Authority; establishing the Alaska Railbelt energy fund and relating to the fund; relating to and repealing the Railbelt energy fund; relating to the quorum of the board of the Alaska Energy Authority; relating to the powers of the Alaska Energy Authority regarding employees and the transfer of certain employees of the Alaska Industrial Development Export Authority to the Alaska Energy Authority; relating to acquiring or constructing certain projects by the Alaska Energy Authority;

relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; and providing for an effective date."

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Vice-chair Fairclough referred to previous testimony related to Coastal Zone Management [HB 106]. She relayed a communique from Mayor Dan Sullivan that the City of Anchorage has no formal position on the issue.

Vice-chair Fairclough MOVED work draft CSHB 103(FIN) (27-GH1822\I, Kane, 4/11/11) as a working document before the committee.

Co-Chair Stoltze OBJECTED for discussion.

SARAH FISHER-GOAD, DEPUTY DIRECTOR OF OPERATIONS, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained the CS. She communicated the differences between CS HB 103 ENE and the CS. The Energy Committee version allowed Alaska Energy Authority (AEA) to own and construct new projects. The CS narrowed the focus to one specific project; the Susitna Project. The CS deleted the creation of a new Alaska Railbelt Energy fund but maintained the existing Railbelt Energy fund in statute.

Ms. Fisher-Goad pointed out that the CS removed the provision allowing AEA to hire staff and avoided staff transfers from Alaska Industrial Development Export Authority (AIDEA) to AEA. The CS maintained the status quo and eliminated five of seven fiscal notes. The fiscal notes were restructured down to two: one AEA project fiscal note and one AIDEA fiscal note to hire the positions funded by inter-agency receipts.

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Ms. Fisher-Goad furthered that the CS deleted a provision allowing AEA to form a subsidiary corporation. She believed subsidiary authority was necessary in the future. AEA could advance the project and file the preliminary permit application with the Federal Energy Regulatory Commission (FERC) without subsidiary authority.

Ms. Fisher-Goad added that the CS would also grant approval for the Reynolds Creek Hydroelectric Project and Cordova Electric Cooperative Humpback Creek Project loans. She explained that approval did not require AEA to issue the

loans. The provision was merely the legislative authorization required by statute to access a loan or grant over \$5 million from the power project fund.

Ms. Fisher-Goad concluded that the CS authorized AEA to exercise eminent domain related to the Susitna project. She related that eminent domain was not necessary through the preliminary FERC process; the FERC would eventually grant AEA eminent domain authority.

Representative Gara asked why the previous version authorized AEA to directly hire staff. Ms. Fisher-Goad explained that for the last 18 years AEA maintained a contractual personnel relationship with AIDEA. The decision to compromise on the issue was a matter of priorities to advance the legislation on to the FERC process in the fall. Representative Gara wondered if the decision was AEA's and open to committee discussion.

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Ms. Fisher-Goad replied it was her decision to offer the compromise to progress the legislation.

Representative Gara stated concerns. He acknowledged consensus in the legislature to build a big hydropower project. He referred to discussions about a choice between the Chakachamna or Susitna hydroelectric projects. AEA reported less fisheries impacts with the Susitna project. He contacted the Department of Fish and Game (DFG). The department's response was to propose a study of potential impacts. He was concerned that the possible fisheries impact on the Susitna was not known. Ms. Fisher-Goad reported that the FERC process mandated studies on potential environmental impacts.

BRIAN CAREY, ENGINEER, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained that the AEA preliminary decision document reported on the both projects fisheries impacts. The findings were developed from discussions with various resource agencies, hydrologists and biologists. The FERC process required that the licensee and resource agencies carry out extensive additional studies on fisheries impacts. Representative Gara stated concerns on the impacts of hydro-dam created high water and low-water flow times on the Susitna River and the impact on salmon and rainbow trout downstream. He

worried that during low-water flow the downstream river braids could dry up. Mr. Carey replied that environmental contractors were conducting current data gap analysis to determine further areas of study.

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Representative Gara wondered why preliminary reports stated that fisheries impacts were less on the Susitna when the truth was inconclusive. Mr. Carey explained why the preliminary report favored the Susitna project. He communicated that a significant salmon run returned to Chakachamna Lake. The Chakachamna project would divert water away from the lake and create a new drainage; resulting in an inadequate water supply to maintain the red salmon run. In addition, the Trading Bay State game refuge wetlands, located downstream would dry and lose habitat for water fowl and salmon. The amount of water needed to protect the salmon and the wetlands refuge would reduce the amount of energy generation and render operation uneconomical. Preliminary studies suggested that the water flow required to sustain salmon runs on the Susitna was sufficient if restricted and regulated through license conditions.

Representative Neuman spoke to concerns by the people in his district about the Susitna project. He asked for clarification on the FERC process. Ms. Fisher-Goad referred to the "FERC Licensing - Public Processes"(copy on file) memo distributed to committee members and the public. She announced that AEA was committed to follow a very extensive public process. The public process would begin once AEA filed the preliminary application for FERC licensing. The process included extensive communications with the stakeholders. The Authority would establish working groups comprised of stakeholders, state and federal resource agencies, tribal organizations, non-governmental organizations, and members of the public. She assured that whether AEA applied for an alternative or integrative license, the public process was exhaustive.

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Representative Neuman referred to the power of eminent domain and asked how many land owners were affected. Mr. Carey replied that the issue affected less than ten; state, federal, or corporate land owners. Representative Neuman advised that State and FERC oversight was warranted to ensure a system of checks and balances.

Representative Doogan noted that the CS was substantially different than the last version he had reviewed. He cited page 3, line 30 "to acquire a Susitna River power project". He asked if the language was vague for a reason. Ms. Fisher-Goad reported that the intent of the CS was to define the Susitna project at the Watana location but remain broad enough not to bind it to a more specific site.

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AT EASE

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RECONVENED

Representative Doogan queried the appropriation of Railbelt Energy Fund money for the Susitna project.

Co-Chair Stoltze informed that the Senate proposed a Capital budget appropriation of Railbelt Energy Funds for \$65.7 million. Ms. Fisher-Goad corrected that the funds were comprised of general funds appropriated for the Susitna project. She explained that the funding source for the AEA fiscal note for contractual services was Capital Improvement Projects (CIP) receipts. The AIDEA fiscal note reflected personnel costs.

Vice-chair Fairclough noted that the AEA fiscal note depicted increased costs in the out years. She questioned why the new AIDEA fiscal note (\$1.125 million) was only funded for one year. Ms. Fisher-Goad expounded that the AIDEA fiscal note reflected the funding transfer for personnel from AEA interagency receipts. In FY12 the costs would roll into the base of the budget. The AEA fiscal note carried out the cost for the positions in the out years.

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Vice-chair Fairclough thought the AIDEA fiscal note was incorrect. Ms. Fisher-Goad offered to amend the AIDEA fiscal note. Vice-chair Fairclough clarified that the CS eliminated creation of a new Railbelt Energy Fund but a vehicle existed to receive money for the project. Ms. Fisher-Goad affirmed. She reiterated that the existing Railbelt Energy Fund remained in statute.

Vice-chair Fairclough noted that the energy version of HB 103 provided for creation of subsidiaries to protect the state. She asked how the state was protected under the CS. Ms. Fisher-Goad restated that AEA must create a subsidiary in the future. Subsidiary creation was not necessary in the preliminary stage of the project. AEA would request subsidiary authority once the FERC process was completed and a financing plan was emerging. A subsidiary corporation was necessary to form a financing structure.

Vice-chair Fairclough alluded to a threatening email from a concerned Alaskan. She hoped that frustrated people would communicate with legislators rather than make threats. She hoped that all voices are heard in meaningful dialog.

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Co-Chair Thomas commiserated with Vice-chair Fairclough. He distanced himself from anyone in his district involved in making threats. He referred to the disturbing email and advised "If you don't like the show, shut it off."

REPRESENTATIVE LANCE PRUITT, CO-CHAIR, HOUSE ENERGY COMMITTEE, approved the CS version under discussion. He addressed the intent of CS HB 103 (ENE). He explained that the Energy Committee version planned for the Susitna project long term. The energy version provided AEA the authorization to proceed well into the future and included additional authority for other projects. He stressed that the Susitna project was the backbone behind CSHB 103 (ENE). He felt that the new CS was "pared down" but the intent to proceed with the Susitna project was the same. He pointed out that AEA would not have the same authority or autonomy in the CS.

Representative Pruitt addressed why the Chakachamna Project was not considered. He stated that the fisheries issues were vast. There were five salmon runs in the river. He described how the fish behaved. They would not be able to travel back through the tapped lake to the ocean. The Chakachamna project would eliminate the runs. He stated that the Susitna project would have minimal impact compared to Chakachamna. The \$65.7 million would include extensive studies.

Representative Pruitt confirmed that the Senate version included funding for the project in the capital budget. He

believed it was vital to keep the project in the budget. He referred to the subsidiary issue. He spoke to concerns in the Senate. The suspicion was that an organization without legislative control would misuse their autonomy if authorized to create multiple subsidiaries. He noted that the new CS limited AEA to the creation of one subsidiary. He hoped that would waylay the fears. A subsidiary does not have authority beyond the owner company's authority. The CS granted enough authority to begin the process and issue bonds. He assured that AEA exercised restraint with bonding authority in the past.

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Representative Pruitt appreciated work done on the CS. He believed that it was a step in the right direction. He noted wide support from both bodies and both parties. The project would benefit Anchorage and the Railbelt region, Valdez, and some rural regions. He argued that if the Susitna project was constructed in the 1980's the Kenai LNG [liquefied natural gas] plant would operate today and an established low-cost form of energy. He warned that the longer the delay, the more expensive the project and energy costs to the consumer.

Co-Chair Stoltze appreciated all of the work done on the legislation by both bodies and both parties.

Co-Chair Stoltze REMOVED his OBJECTION to adopting the CS. There being NO OBJECTION, it was so ordered.

Representative Guttenberg asked for more information about AEA's eminent domain authority. He wondered how much and what kind of property was involved. MS. Fisher-Goad answered that the FERC licensing process would provide AEA some authority to exercise eminent domain. She added that it was premature to predict AEA's application of eminent domain.

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Representative Guttenberg asked if FERC will grant AEA eminent domain authority regardless of legislative approval. Ms. Fisher-Goad affirmed that the FERC licensing process will provide the authority.

Representative Guttenberg asked what the difference was between the alternative and integrated FERC licensing process. Mr. Carey explained that there were three different licensing processes: integrated licensing process (ILP), alternative licensing process (ALP), and the traditional licensing process (TLP) used in the 1980s. Currently, the ILP was the default licensing process for FERC. The FERC preferred the ILP because it mandated very specific timelines the licensee and resource agencies must meet. Much of the licensing in Alaska used the ALP. The ALP provided more latitude in the timing of the licensing process. The timing worked more favorably with conducting studies during Alaska's extreme seasons. He added that the ALP was a more collaborative process and not as tight on timelines. The overall process can take more time. Representative Guttenberg requested that AEA research whether the different licenses dictate different timelines for the public process.

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Representative Edgmon identified the words "acquisition" and "acquire" in the legislation. He asked if the legislation set up the ability for AEA to own a multi-billion dollar energy project. Ms. Fisher-Goad affirmed. Representative Edgmon asked if the bill allowed utility companies to partner with AEA on the project. Ms. Fisher-Goad referred to the Bradley Lake project. She elaborated that AEA owns the Bradley Lake hydroelectric project. The Bradley Lake Project Management Committee comprised of utility companies co-managed the project with AEA. The Authority contracted with Homer Electric Association to operate the project. She viewed the Bradley Lake structure as the appropriate model for the Susitna project.

Representative Edgmon asked how the Susitna project will help the power situation in rural Alaska. Ms. Fisher-Goad maintained that lower costs in the Railbelt directly impacted rural Alaska through the Power Cost Equalization (PCE) program weighted average cost. The floor for PCE rates were established by a weighted average rate paid between Anchorage, Fairbanks, and Juneau. Less expensive Railbelt energy costs directly correlated to a greater PCE range for rural communities.

Co-Chair Thomas asked if a power-sales agreement was required before the project was approved.

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Ms. Fisher-Goad reported that although not explicit in the legislation the power-sales agreement between the utilities purchasing the power and AEA was required at the time the license was issued in order to develop the financing plan. Co-Chair Thomas queried the repercussions of operating costs exceeding the power-sales agreement. Ms. Fisher-Goad reminded the committee that the project was in its infancy. License restrictions will reveal increased project costs.

Representative Gara announced that the fisheries on the Susitna River were much more important than on the Chakachumna Lake. In addition, the legislature received information that the Chakachumna Lake project could sustain a fish run and generate power. He asked how the conclusion was reached that the fisheries impact was less on the Susitna. Mr. Carey explained the differences between both projects fisheries impacts. He related that resource agencies have conditional licensing ability or "mandatory conditioning"; part of their duty to protect the fisheries. The highest priority with the Chakachumna project was to protect the salmon run for the bears and eagles of the national park [Lake Clark National Park]. Regulating water flow between the power tunnel and the river to sustain the runs would be difficult with a lake tap on Chakachamna Lake. Most of the salmon runs on the Susitna River use side channels or rivers. He added that the location of the Wantana Dam would only use 16 percent of the flow of Susitna River's total flow. Flow reductions down river remained above historic flow minimums. License conditions would regulate river flow reductions. Extensive spawning ground studies were required. The draft environmental statement from the 1980's reported a positive impact to main stream Chinook salmon population on the Susitna River. In addition, mitigation money was available to DFG for habitat enhancement along the Susitna to mitigate any potential impact. He concluded a possible overall positive impact on the fisheries with mitigation.

Representative Gara asked for project cost estimates and queried if a state subsidy was required. Ms. Fisher-Goad reported a current cost estimate of \$4.5 billion. AEA worked with a financial firm to produce a model that established the state participation's effect on power

costs. Unknown license conditions and material costs make rough estimates difficult to determine.

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Ms. Fisher-Goad shared a simplified estimate. The formula was 50 percent of the cost of the project at approximately \$0.06 or \$0.07 wholesale power costs. She qualified that until the model was complete cost estimates or state subsidies were almost impossible to predict.

Vice-chair Fairclough asked what amount of acreage was involved in eminent domain. Mr. Carey reported that the property owners at the reservoir area were: Bureau of Land Management (BLM) (state selected land), state land, and Native Corporation land (Tyonek and Cook Inlet Region, Inc. (CIRI)). The project estimated twenty thousand acres of land submerged at the reservoir. Negotiations to purchase or trade property with Tyonek and CIRI would occur. Vice-chair Fairclough discussed that the committee members received email from concerned citizens. She felt consideration of eminent domain was part of the committee process. She wondered about the concerns. Mr. Carey responded that individual property owners did not occupy land at the dam site or the intertie at Gold Creek.

Vice-chair Fairclough probed if it was possible for a no build recommendation or "record of no decision" after the FERC public process. Ms. Fisher-Goad affirmed. She identified multiple opportunities during the FERC licensing process and future points suitable to consider a no build recommendation related to alternative costs of power. Discussions at the financial level about reasonable costs of power and legislative funding or failure to execute a power-sales agreement could foster a no-build approach.

Ms. Fisher-Goad disclosed that AEA received concerns by residents that live near the dam site. She reported concerns related to effects on local business, seismic activity, and catastrophic dam failure. She suggested that the public concerns were varied and not necessarily focused on eminent domain.

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Vice-chair Fairclough referred to the coastal trail project in Anchorage. She reported that the state reached a record

of no decision based on the trail's impact on property owners. The federal government had concurred. The state does not grant eminent domain lightly. She referred to page 3, line 4, of the CS "to enter into the contract with any persons and the United States" and wondered how the language impacted the Alaska Energy Authority. Ms. Fisher-Goad replied the language was currently in the statute.

Representative Neuman wondered whether there was an opportunity for the legislature to pull the plug on the project if it was not in the best interest of the state. Ms. Fisher-Goad replied in the affirmative. The legislature could restrict any future funding for the project.

Representative Doogan referred to the phrase "reasonable cost of power." He wondered how the department determined reasonable cost of power. Ms. Fisher-Goad informed that the agency would determine reasonable cost of power in the future when AEA solicited legislative appropriation to begin the project. The reasonable cost depended on the amount the state contributed to buy down the cost of power and fund construction costs. She speculated that a reasonable cost of power would not provide rate shock to the utilities. Representative Doogan asked for clarification. He recapped that the project required a state subsidy and at some point the legislature was expected to pay down the costs at an undetermined amount to provide affordable power.

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Ms. Fisher-Goad affirmed. She relayed that AEA's financial analyst, Seattle Northwest, concluded that a project of Susitna's magnitude could not recover costs through revenue (utility rates). The expectation involved a scenario similar to Bradley Lake Hydroelectric project; funded by 50 percent state participation. She referred to a meeting with FERC and the congressional delegation in Washington DC. She learned that through special congressional action the project was eligible for an IRS waiver for tax exempt financing.

Representative Wilson believed that the bill might not work out as well for Anchorage than for Fairbanks. She wondered how that was reflected in the formula. Ms. Fisher-Goad responded that the power sales agreement would provide a wholesale power cost from AEA to the utilities similar to

Bradley Lake. She noted that Bradley Lake Hydro provides Golden Valley Electric some of its cheapest power. She added that Anchorage has less expensive power costs. Representative Wilson wondered whether it would be possible for Fairbanks to receive more generation from the Susitna project than Anchorage to hold down rates. Ms. Fisher-Goad responded that it depended on how much of the capacity the Fairbanks utility committed to purchase based on their projected generation needs.

Co-Chair Stoltze offered that he did not know how to define reasonable cost.

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Vice-chair Fairclough questioned the accuracy of the new fiscal note. She requested to amend the new fiscal note FN (CED) (4/12/2011 3:00 PM). She advised that the addition of eight new employees each year was incorrect. She was uncertain the inter-agency receipts were correctly appropriated.

Representative Doogan cited FN (CED) (4/11/2011 5:00 PM). He asked if the \$1,763 million CIP receipts in FY 12 indicated a transfer of funds to the other fiscal note (4/12/2011 3:00 PM) FN (CED). Ms. Fisher-Goad affirmed that a transfer applied to a portion of the funding. She identified the transfer of \$1.125 million in FY 2012 from AEA inter-agency receipts to AIDEA to fund the positions. The other project funds remained an AEA appropriation.

Vice-chair Fairclough clarified that the two fiscal notes relevant to the CS were FN (CED) (4/11/2011 5:00 PM) and (4/12/2011 3:00 PM) FN (CED).

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Co-Chair Stoltze asked if an annual report on the project was required. Ms. Fisher-Goad replied that she was expecting to report quarterly.

Representative Edgmon pondered including a reporting requirement in the legislation. Ms. Fisher-Goad opined that it was not necessary since the request was on the record.

Representative Edgmon moved Conceptual Amendment 1:

Require AEA to submit an annual report to the legislature due at the start of each legislative session.

There being NO OBJECTION, it was so ordered. Conceptual Amendment 1 was adopted.

Co-Chair Stoltze asked if AEA expected to exceed that requirement. Ms. Fisher-Goad affirmed.

Representative Gara asked if the fiscal notes appropriated \$67 million from the Railbelt Energy Fund. Ms. Fisher-Goad responded that the fiscal notes reflected the operating budget portion of the appropriation for facilities and staff. The studies and contractual costs remained capital budget expenditures.

Representative Costello referred to the Alaska Rate Payers group, who worked for decades on the Susitna project. The group advocated for alternative legislation. She mentioned exceptions from the personnel act and changing who retained the authority to set rates. She offered to share the information with AEA at a later date. She asked if the authority was aware of the group and if they might address the issues in the future.

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Ms. Fisher-Goad reported that AEA engaged in frequent discussions with the rate-payers. She indicated their position was to create an independent entity to advance the project. She countered their position was in opposition to HB 106 which established AEA as the agency to carry the project. She asserted that AEA was the most experienced entity to expedite the FERC process. The legislation reflected the Governor's preferred structure. An investigation into what a more autonomous agency provided that AEA cannot was a legitimate policy question for the future. She pledged continued dialog with the rate-payers.

Co-Chair Stoltze reported for the record that he had a relative involved in the rate-payers group.

Vice-chair Fairclough MOVED to report CSHB 103(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 103(FIN) was REPORTED out of Committee with a "do pass" recommendation and with two new fiscal impact notes by the Department of Commerce, Community and Economic Development.

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AT EASE

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RECONVENED

#hb104

HOUSE BILL NO. 104

"An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; establishing the Alaska performance scholarship investment fund and the Alaska performance scholarship award fund and relating to the funds; making conforming amendments; and providing for an effective date."

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Vice-chair Fairclough listed the four fiscal notes: FN (REV) (3/29/11); zero fiscal impact, FN (REV) (3/21/11); zero fiscal impact, FN (EED) (3/23/11); indeterminate fiscal impact, FN 3 (EED) indeterminate fiscal impact. She noted a previous hearing (4/7/11) on the bill that allowed public testimony.

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Vice-chair Fairclough MOVED to report CSHB 104(EDC) out of Committee with individual recommendations and the accompanying fiscal notes.

Representative Gara OBJECTED.

Co-Chair Stoltze WITHDREW the motion.

Representative Gara MOVED Amendment 1 (27-GH1893\D.5, Mischel, 4/7/11):

Page 3, following line 8:

Insert a new bill section to read:

"* **Sec. 4.** AS 14.43.820, as enacted by sec. 5, ch. 14, SLA 2010, is amended by adding a new subsection to read:

(c) Notwithstanding the eligibility requirements in (a)(2) - (4) of this section, the department shall adopt regulations to provide for the eligibility of a student who has attained a general education development certificate, and for waiver or delay of a portion of the core academic curriculum requirements in (a)(3) of this section if that portion of the curriculum is not available to a student at a public school in the district in which the student resides. To demonstrate high academic performance for eligibility under this section, the department may require a student to

(1) provide alternative minimum standardized test scores established under this section;

(2) complete some or all of the core curriculum requirements in (a)(3) of this section after graduation; or

(3) provide a measure of academic achievement equivalent to (2) of this subsection."

Renumber the following bill sections accordingly.

Page 3, following line 24:

Insert a new bill section to read:

"* **Sec. 7.** AS 14.43.825, as enacted by sec. 5, ch. 14, SLA 2010, is amended by adding a new subsection to read:

(g) Notwithstanding the grade-point average requirements in (a) of this section, the department shall adopt regulations to provide for the eligibility of a student who has attained a general education development certificate."

Renumber the following bill sections accordingly.

Page 8, line 21:

Delete "Section 15"

Insert "Section 17"

Page 8, line 22:

Delete "sec. 6"

Insert "sec. 8"

Page 8, line 23:

Delete "sec. 6"

Insert "sec. 8"

Page 8, line 24:

Delete "Section 12"

Insert "Section 14"

Page 8, line 25:

Delete "secs. 17 - 19"

Insert "secs. 19 - 21"

Vice-chair Fairclough OBJECTED.

Representative Gara explained the amendment. He identified the provisions as an "Alternative Pathway" to eligibility for the merit scholarship. He elaborated that GED recipients, including some home school students, were not eligible to participate, and some schools did not offer the courses required for qualification. He noted that other states with a merit scholarship program offered an "alternative pathway"; scholarship eligibility for students unable to meet the traditional requirements.

Representative Gara cited page 1, line 16 of the amendment. He informed that the language provided the Department of Education and Early Development (DEED) the discretion to impose alternative academic achievement measures equivalent to core classes to ensure that the student can catch up or has met the merit level of academic standards.

MIKE HANLEY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY CHILDHOOD DEVELOPMENT, responded to the amendment. He noted that the department already allowed exceptions to traditional diplomas. Diplomas were not required of homeschool students; course requirements, SAT or ACT scores were sufficient. WorkKeys scores for technical education students were accepted and GED without requirements or restrictions.

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Commissioner Hanley continued that only three schools in the state did not offer the core classes required of the merit scholarship. The department did not want to punish

students because the courses were not available. The department had a two year grace period for the students in the schools. He concluded that an alternative pathway existed.

Representative Neuman reported that 10 percent of students in Alaska were home schooled. He asked whether they had the same ability as public school students to qualify for the scholarship program. Commissioner Hanley affirmed. Home school students can verify that they completed the required courses or use SAT, ACT, or WorkKeys scores as the sole qualifier. Representative Neuman asked if high school students acquired credit for taking college level classes. Commissioner Hanley replied that courses with higher standards than set for performance scholarships were accepted.

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Representative Wilson spoke against the amendment. She agreed with the intent but did not want to make exceptions at this point. She was willing to closely monitor the results over the years and make allowances as needed. She trusted the department would provide the information. Commissioner Hanley noted that regular reporting was a requirement of the legislation.

Representative Gara responded to testimony by the commissioner that students were currently allowed to take required courses during a two-year grace period after graduation. He argued that the amendment put the same option into statute and allowed the department to set the standards. For example, the department could decide to use standardized test scores, allow for classes after graduation, or come up with something else. He did not understand why the department opposed the amendment. Commissioner Hanley clarified that the mentioned grace period was built in as the scholarship was implemented over the next two years; it was not a true grace period.

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AT EASE

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RECONVENED

A roll call vote was taken on the motion.

IN FAVOR: Guttenberg, Neuman, Costello, Doogan, Edgmon, Gara, Joule

OPPOSED: Wilson, Fairclough, Stoltze, Thomas

The MOTION PASSED (7/4). Amendment 1 was ADOPTED.

Representative Doogan asked for clarification of the funding estimate in FN (EED) (3/23/11).

DIANE BARRANS, EXECUTIVE DIRECTOR, POSTSECONDARY EDUCATION COMMISSION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, explained that the Education Committee added a provision to fund the Alaska Advantage Education Grant (AEG) but did not stipulate a level of funding for the program. The analysis section described what full funding would look like based on the current year applicant pool [\$6,969.6 million in FY 12]. She referred to the chart on page 2, of the fiscal note. She explained that the estimates used were the same used to fund FY 11 Alaska Performance Scholarship program (APS). Representative Doogan wanted an actual number in order to evaluate the program costs. Ms. Barrans stated that \$1.1 million was appropriated for FY 2012. The program existed for five years and was funded from a variety of sources but never as a general fund operating expense. She added that the legislature would determine the level of funding. Representative Doogan confirmed that full funding was estimated in the fiscal notes. Ms. Barrans affirmed.

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Vice-chair Fairclough recapped that the fiscal notes were zero or indeterminate. Other legislation was needed to capitalize the fund.

Representative Doogan replied that he still wanted accurate costs. He thought that whether the funding mechanism was split off or attached to HB 106 there was a cost.

Vice-chair Fairclough MOVED to report CSHB 104(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 104(FIN) was REPORTED out of Committee with a "no recommendation" and with two zero notes by the Department of Revenue, one indeterminate note by the Department of

Education and Early Development, and previously published fiscal note: FN3 (EED).

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AT EASE

[4:31:03 PM](#)

RECONVENED

#hb183

HOUSE BILL NO. 183

"An Act relating to the Village Safe Water Act."

[4:31:11 PM](#)

SHIELA PETERSON, STAFF, SENATOR ALAN DICK, relayed that the parties involved in the bill's creation determined the CS was drafted correctly. The legislation expanded the program, provided a governing body for recipients, and included the community of Nenana.

LINDSAY WOLTER, ASSISTANT ATTORNEY GENERAL, CIVIL DIVISION, ENVIRONMENTAL SECTION, DEPARTMENT OF LAW (via teleconference), understood that all unincorporated communities were included in the legislation. She did not have any further concerns.

Vice-chair Fairclough contended that the issue of the status of tribal organizations was a constitutional issue. She did not believe that the constitutional issues that had been raised were included in the CS. Ms. Wolter responded in the affirmative. All local governments were included in the bill.

Representative Edgmon spoke with DEC officials. He confirmed that references to village councils and IRA's (Indian Reorganization Act communities) in the CS strengthened the department's ability to procure federal funds.

Vice-chair Fairclough MOVED to report CS HB 183 (FIN) out of committee with individual recommendations and the accompanying fiscal note.

CS HB 183 (FIN) was REPORTED out of committee with a "do pass" recommendation and with attached previously published fiscal note: FN 1 (DEC).

#sb102

SENATE BILL NO. 102

"An Act relating to certain payments made under the Alaska affordable heating program."

SB 102 was SCHEDULED but not HEARD.

[4:37:13 PM](#)

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ADJOURNMENT

The meeting was adjourned at 4:37 PM.